



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 05/16/06

AGENDA ITEM 2

WORK SESSION ITEM _____

TO: Mayor and City Council, Redevelopment Agency Board, and Public Financing Authority Board

FROM: City Manager

SUBJECT: Authorization for the Issuance of Redevelopment Tax Allocation Bonds and Approval of Contracts for Financial and Legal Services

RECOMMENDATION:

It is recommended that the City Council, Redevelopment Agency Board, and Public Financing Authority adopt the attached resolutions (a) approving the issuance of Redevelopment Tax Allocation Bonds, Series 2006, and related legal documents; and (b) approving the appointment of a team of public finance professionals to execute the transaction.

BACKGROUND:

On January 19, 2006, the City Council, the Hayward Area Recreation District (HARD) Board, and the Hayward Unified School District (HUSD) Board held a joint meeting regarding progress on the new Burbank School, the expanded Cannery Park, and the related Public Improvements. Cost estimates updated in December 2005 indicated that approximately \$8.0 million in additional funding was required. It was noted that the Redevelopment Agency has sufficient bonding capacity to support a new tax allocation bond (TAB) financing. Subsequently, it has been determined that the funding gap currently is closer to \$8.5 million due to additional environmental remediation measures and increased costs for the public improvements.

Since January, staff has been engaged in a process of preparing for the tax-exempt TAB financing based on the Agency's current bonding capacity. It is currently anticipated that the bond issue can be prepared for sale by the end of June. The exact size and structure of the bond issue and the amount of annual debt service will not be known until the day of the bond sale due to daily fluctuations in the municipal bond market. However, the authorizing resolution establishes the following set of maximum parameters for the proposed Series 2006 Bonds:

- Aggregate principal amount of the bonds: \$11.8 Million
- True Interest Cost: 6.00%
- Underwriter's Discount: 1%

With these fixed upper bounds in mind, the following table provides a projection of the major elements of the transaction, based on analysis of key variables such as interest rates on similar, recent transactions, the Agency's current debt capacity and budgetary constraints, and funding requirements for the aforementioned proposed capital projects.

Bond Issue Summary (Preliminary)

Type of Bond Sale	Negotiated
Date of Bonds	June 14, 2006
Term	30 Years
Interest Rates	4.0 % - 5.6%
Par Amount of Bonds	\$9.5 - \$11.8 million
Deposit to Project Construction Fund	\$8.5 - \$10.6 million

As shown in the table above, the par amount, or face value, of the bonds is expected to be in the range of \$9.5 to \$11.8 million. The estimated amount of proceeds available for construction projects is anticipated to be about \$8.5 - \$10.6 million. Staff is requesting authorization for the range of borrowing noted above to address possible construction cost increases.

One of the projects financed by the 2004 TABS was the Cinema Parking Garage. Bids for the construction of the structure will be opened later this month. If construction costs for the parking structure do exceed budget, then the 2006 TABS can be adjusted upward, within Council's authorization, to provide additional funding. The bid opening for the parking structure will also provide staff with some insight as to construction costs for the Cannery Area Projects which have not yet been bid, most notably, the Burbank School.

The difference between the par amount and the net construction proceeds includes: the establishment of a required debt service reserve account of approximately \$550,000 to \$650,000, a municipal bond insurance premium in the range of \$150,000 to \$200,000 and all other costs for professional services and miscellaneous expenses associated with the issuance of the bonds.

In preparing for this bond issue, to expedite the process and for cost-effectiveness, staff assembled the same team of public finance professionals that was used for the Series 2004 Bonds, which consisted of CSG Advisors as the Financial Advisor, Jones Hall as Bond Counsel, Lofton and Jennings as Disclosure Counsel, and RBC Capital Markets as the Underwriter. The fees for services provided by these professionals are included as costs of issuance, and as such are contingent upon the actual sale of bonds and will be paid from bond proceeds. Preliminary estimates of the fees for the financing team's services, which are based on the maximum borrowing amount, are: \$36,000 for Financial Advisor; \$55,000 for Bond Counsel; \$30,000 for Disclosure Counsel; and \$118,000 for the Underwriter.

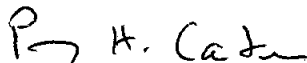
In order to proceed with the financing, it is necessary for the City Council, the Redevelopment Agency, and the Public Financing Authority to take certain actions. Specifically, the entities must adopt resolutions authorizing the issuance of debt, approving the form of the documents, authorizing the distribution of an Official Statement, and authorizing staff to take such steps as are necessary to complete the financing.

The actions required by each of the entities are summarized as follows:

- 1) The City Council, as the "legislative body", is required under the Health and Safety Code to approve any debt issued by the Agency. The City Council's role in this financing is to approve the issuance of the Bonds. The City will not be a party to any of the agreements, nor will the City be bound in any way to repay the Bonds.
- 2) The Redevelopment Agency is the public entity obligated to repay the bonds from tax increment, and its resolution incorporates approval of all the documents needed to cause the Bonds to be sold and issued. Those documents include: a) the Official Statement, which summarizes the Agency, its tax increment history and projections, the Project Area, the Bonds, and the City of Hayward; b) the Indenture of Trust, under which the Bonds are issued, which contains all the terms of the Bonds, the pledge of security for the Bonds, and the terms of redemption; and c) the execution of professional services contracts with the consultants selected by the Agency to work on this transaction.
- 3) The Hayward Public Financing Authority (HPFA) was created in 1989 to facilitate the financing of public capital improvements for the City, and has been used many times for that purpose since its creation. The Authority is also authorized to purchase bonds issued by a public agency such as the Redevelopment Agency, and to sell those bonds to an underwriter such as RBC Capital Markets. In effect, the Authority's involvement allows the Agency to work with an investment banker on a negotiated sale, as previously discussed and as was done with the issuance of the 2004 TABS. . The attached HPFA resolution authorizes the purchase and re-sale of the Bonds, and also establishes the time and place for the Authority's regular annual meetings.

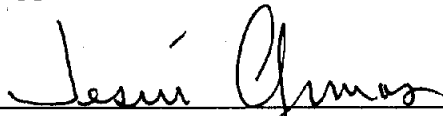
Attached for Council's review are selected pages from the Preliminary Official Statement (POS). The attached pages address the ability of the RDA to issue the tax allocation bonds noted above and to provide for repayment through tax increment revenue. Much of the POS consists of required disclosures and general information. Those pages are not attached, but are contained in the complete POS which is on file with the City Clerk.

Prepared by:



Perry H. Carter, Acting Assistant City Manager

Approved by:



Jesús Armas, City Manager

Attachments: Exhibit A: Selected Pages - Preliminary Official Statement
Resolutions (3)

THE REDEVELOPMENT AGENCY

Authority, Members and Personnel

The Redevelopment Agency was established pursuant to the Law, and was activated in 1969. The Redevelopment Agency adopted the redevelopment plan for the Downtown Hayward Redevelopment Project in 1975. The Project Area is the only project area of the Redevelopment Agency. The Redevelopment Agency has no taxing power.

Members of the City Council of the City serve as members of the Redevelopment Agency. The City Council members are elected at large for four-year overlapping terms. The current members of the Redevelopment Agency are set forth on the inside cover page of this Official Statement.

Jesús Armas is the Executive Director of the Redevelopment Agency, a position he has held since February 1993. Mr. Armas is also the City Manager of the City.

Perry Carter is the Treasurer of the Redevelopment Agency as well as the City Finance Director/Acting Assistant City Manager.

The Redevelopment Agency is administered by a staff selected from the employees of the City and is under the overall direction of Mr. Armas. Redevelopment Agency personnel are members of the City staff for purposes of funding retirement benefits.

Powers

All powers of the Redevelopment Agency are vested in its seven member Board. They are charged with the responsibility of eliminating blight through the process of redevelopment. Generally, this process culminates when the Redevelopment Agency disposes of land for development by the private sector. In order to accomplish this, the Redevelopment Agency has broad authority to acquire, develop, administer, sell or lease property, including the right of eminent domain and the authority to issue bonds and expend their proceeds.

Prior to disposing of land for redevelopment, the Redevelopment Agency must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses. In addition, the Agency may demolish deteriorated improvements, undertake environmental mitigation, grade and prepare sites for purchase, and in connection with any development can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

Redevelopment in the State of California is carried out pursuant to the Community Redevelopment Law (Section 33000 *et seq.* of the Health and Safety Code). Section 33020 of the Law defines redevelopment as the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

The Redevelopment Agency may, out of the funds available to it for such purposes, pay for all or part of the value of the land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated to the extent that such improvements are of benefit to the project area and no other reasonable means of financing is available.

The Redevelopment Agency must sell or lease remaining property within a project area for redevelopment by others in strict conformity with the redevelopment plan, and may specify a period within which such redevelopment must begin and be completed. In accordance with these criteria, the Redevelopment Agency has adopted a Redevelopment Plan, as amended, in the Project Area that authorizes the use of the redevelopment process and procedures.

Redevelopment Agency Finances

The accounts of the Redevelopment Agency are organized on the basis of funds and account groups. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The audited financial statements of the Redevelopment Agency for the Fiscal Year ending June 30, 2005 are set forth in APPENDIX B.

Substantially all full-time City employees, including employees of the Redevelopment Agency, are eligible to participate in retirement benefit plans through a contract with the California Public Employees' Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments.

PERS maintains two pension plans for the City, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The City contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those current employees of the City, including the Redevelopment Agency, who are eligible under PERS. These are four positions in the Redevelopment Agency eligible to participate in PERS.

For information concerning PERS, including information relating to its financial position and investments contact PERS directly at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, California 95814, telephone: 888-225-7377.

Information regarding the contributions made by the City to PERS for the PERS Plans is available in the City's Comprehensive Annual Financial Report copies of which are available upon request from the City of Hayward Department of Finance and Internal Services, 777 B Street, Hayward, California 94541; telephone: 510-583-4009 or may be obtained electronically from the City's website at www.hayward-ca.gov/departments/finance/documents/COH_2005_CAFR.pdf.

THE PROJECT AREA

General

The Downtown Hayward Redevelopment Project Area (the "Project Area") includes the City's commercial center, which contains over 500 businesses. Amendments in 1987, 1998 and 2001 added 18,370 acres and 738 additional acres, respectively, to the original approximately 222-acre Project Area, for an aggregate total of approximately 1,348 acres. Of the 3,544 parcels within the Project Area, 2,391 (representing 53.75% of the Fiscal Year 2005-06 assessed value) are designated for the development of residential uses. The Project Area also contains several governmental and cultural facilities, including Centennial Hall (a multipurpose conference center), the main library, the Hayward Little Theater, the Japanese Gardens, and several parks. B Street provides a focus for retail activities in the historic center of downtown.

The downtown area is conveniently accessible to major residential and major employment centers in the region via several freeways, including State Route 92 and Interstate highways I-580 and I-880. The downtown Hayward Bay Area Rapid Transit System (BART) station, which is on the San Francisco-Fremont Line, serves as a hub for additional public transportation, including bus connections via Alameda-Contra Costa Transit District ("AC Transit") and San Mateo Transit District ("SamTrans"). In addition, the downtown area is served by the Amtrak-Capitol Corridor line that extends from San Jose to Sacramento.

Redevelopment Plan

General. The Project Area is comprised of the original approximately 222 acres (the "Original Area") and three expansion areas: the 1987 Annex, the Burbank/Cannery Subarea and the Mission-Foothill Subarea. These three Expansion Areas comprise approximately 1,126 acres. See also "--Status of Development."

Redevelopment Plan Limits. Table 1 summarizes the Redevelopment Plan Limits for the Original Area and the three Expansion Areas.

Table 1
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Summary of Redevelopment Plan Limit Amendments

Expansion Area	Area Size (acres)	Base Year	Plan Limit Termination			Revenue Limits (\$ in thousands)	
			Debt Incurrence	Plan Expiration	Debt Repayment	Total Tax Increment	Amount Received ⁽¹⁾
Original	222	1975-76	01/01/14	12/30/18	12/30/28	\$150,000 ⁽²⁾	\$50,105 ⁽³⁾
1987 Annex	18	1987-88	04/21/17	12/30/23	12/30/28	20,000	-
Burbank/Cannery	370	1998-99	11/10/18	11/10/29	11/10/44	None	4,914
Mission/Foothill	738	2000-01	06/25/21	06/25/32	06/25/47	None	3,781
TOTAL	1,348						\$58,800

Limitation on Outstanding Bonded Debt: \$300 million

(1) As of July 1, 2005.

(2) In the Indenture, the Redevelopment Agency covenants that debt service on the Bonds will not exceed 95% of the aggregate amount of Tax Revenues to be received under the plan limits for the Original Area. See also "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE--Other Covenants of the Agency--Redevelopment Plan Limitations."

(3) Represents the aggregate tax increment received for the Original Area and the 1987 Annex. The County does not maintain separate receipt information for the Original Area and the 1987 Annex.

Source: Redevelopment Agency.

Controls, Land Use and Building Restrictions

The Redevelopment Plan for the Project Area sets forth the principal land uses permitted and the building restrictions to be imposed in project development. It also assigns the Redevelopment Agency and the City their respective responsibilities in carrying out the Redevelopment Plan. Provision is made for rehabilitation as well as new construction and sets forth conditions and procedures required under both approaches. Construction is required to comply with all applicable State and local laws in effect, including without limitation, Building, Electrical, Heating and Ventilating, Housing and Plumbing Codes of the City.

The information in Table 2 is based on land use designations as provided by Alameda County through tax roll data, however, County land use designations do not necessarily parallel City land use and zoning designations. Unsecured and SBE non-unitary values are connected with parcels that are already accounted for in other categories.

Table 2
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Land Uses by Category

<u>Land Use</u>	<u>Number of Parcels</u>	<u>2005-06 Assessed Value</u>	
		<u>Amount</u>	<u>Percent</u>
Residential	2,391	\$742,938,050	53.75%
Commercial	554	463,328,426	33.51
Industrial	58	68,187,229	4.93
Recreational	5	5,116,225	0.37
Institutional	23	3,138,447	0.23
Vacant	216	45,765,054	3.31
Exempt	297	0	0.00
SUBTOTAL	3,544	\$1,328,473,431	96.07%
SBE Non-Unitary		\$376,303	0.03%
Unsecured		53,948,141	3.90
Subtotal		<u>\$54,324,444</u>	<u>3.93%</u>
TOTAL	3,544	\$1,382,797,875	100.00%

Source: *Alameda County*.

Summary of Development

Original Area. The Original Area encompasses 222 acres of residential civic and commercial uses. The following is a description of projects that have been developed or are in development within this area:

Albertson's/Sav-on Supermarket In November 2001, construction was completed on this approximately 62,000 square foot food and drug supermarket. An additional approximately 18,000 square feet of retail space is located on the corner of A Street and Mission Boulevard and on B Street. This supermarket is located within walking distance of the City Walk and Atherton Place Townhome communities, the Renaissance Walk and Studio Walk Condominiums and the Pinnacle City Centre Apartments.

Atherton Place Townhomes This "row house" townhome community consists of 83-units and is bounded by C Street, D Street and Atherton Street. It was completed in 1997 as a public-private venture between the Redevelopment Agency and the Sares-Regis Group.

Cinema Place The Redevelopment Agency entered into a Disposition and Development Agreement with Blake Hunt Ventures for the development of a 12-screen, 1,800 seat movie theater and approximately 21,000 square feet of restaurant and retail space on a site owned by the Redevelopment Agency. The Redevelopment Agency will construct a three-story, approximately 241-space, detached parking structure on the site for which Blake Hunt Ventures is obligated to pay 50% of the operating costs. It is expected that construction of this project will commence in summer 2006 and be completed in fall 2007.

City Hall. This approximately 100,000 square foot, four-story building was completed in January 1998 and is a focal point of the downtown development. In addition to being a civic building, City Hall features a public rotunda, an art gallery, a public information center and a one-stop permit center. The exterior of City Hall is surrounded by a public plaza and public green and features a pedestrian walkway connecting to the Hayward BART Station.

Downtown Public Parking Structure. In 1998, the Redevelopment Agency completed the construction of the 320-stall, two-level parking structure located between Mission Boulevard and Watkins Street and approximately 13,000 square feet of retail space known as the "B Street Marketplace." The parking structure was built to accommodate customers of the B Street Marketplace, City Hall, City employees and downtown businesses. A portion of the proceeds of the Series 2004 Bonds was used to finance the construction of a third level to this parking structure, which increased the number of parking spaces to 498.

City Walk Townhomes. Construction of this 77-unit "row house" townhome community located at the corner of C Street and Watkins Street, was completed in 2003 and all of the units are occupied. This public-private development by the Redevelopment Agency and The Olson Company features two and three-bedroom residential units within walking distance of the Hayward BART station and the downtown.

Downtown Façade Rebate and Small Business Revolving Loan Program. These programs, funded by the federal community block grant program, are part of a comprehensive approach to revitalize the downtown area by providing rebates to property owners to upgrade the appearance of building facades. The Façade Rebate program provided 10 grants in 2005 and a total of 29 façade projects have been completed. In addition, loans are available to businesses that expand their operations within the Project Area and generate jobs for low- and moderate-income residents. A total of two loans were made in 2005.

Downtown Sidewalk Rehabilitation Project. This two-phase project, which consists of the rebuilding and replacement of downtown sidewalks, the installation of street furniture, and other design improvements to encourage pedestrian travel, was completed in late 2003.

Giuliani Plaza. This park was created in 1999 and is located on Mission Boulevard. It was designed to recreate the original setting around the City's historic City Hall. In late 2005, construction commenced on a children's park located adjacent to the plaza. The development of this park is a joint effort of the Downtown Hayward Rotary Club and the City.

Municipal Parking Lot Two. This municipal parking lot, located in the center of a block bounded by Foothill Boulevard, B Street, Main Street, and A Street, with access on B Street, was expanded and reconfigured in 2005 to increase parking capacity by 81 spaces to provide a total of 184 parking spaces for downtown businesses and to partially serve the needs of the proposed Cinema Place development. A second access to the lot was also constructed on A Street.

Newman Park. This pocket park is located in the middle of downtown at the corner of Mission Boulevard and B Street. Construction was completed in 1999 as the result of a cooperative effort between the City, the Redevelopment Agency, the Hayward Rotary and individual and corporate contributions.

For a listing of the principal taxpayers and primary land uses within the Original Area, see APPENDIX A--"REPORT OF FISCAL CONSULTANT--Downtown Hayward Redevelopment Project--Original Area--Top Ten Taxable Property Owners--Fiscal Year 2005-06--Table 4."

The 1987 Annex. This area consists of approximately 18 acres.

Renaissance Walk Condominiums. The construction of 46 condominiums as a public-private development by the Redevelopment Agency and The Olson Company was completed in summer 2005. Sale of 22 units was restricted to low and moderate income households and 24 were sold at market rate. All of the units have been sold.

For a listing of the principal taxpayers and primary land uses within the 1987 Annex, see APPENDIX A—"REPORT OF FISCAL CONSULTANT—Downtown Hayward Redevelopment Project—1987 Annex Subarea—Top Ten Taxable Property Owners—Fiscal Year 2005-06—Table 4."

The Burbank/Cannery Subarea. This area consists of approximately 370 acres and includes the former Hunt-Wesson Food cannery, which ceased operations in 2001 and the Owens Brockway Glass Container Inc. property which closed its manufacturing facility in November 2003. The focus of the plan for this area is the redevelopment of approximately 55 acres of the property with a total of approximately 800 housing units. The City adopted a design plan for this area on July 24, 2001, as amended (the "Design Plan"), which includes the construction of a new elementary school.

A portion of the proceeds of the Series 2004 Bonds in the amount of \$27,100,000 and a portion of the proceeds of the Series 2006 Bonds in the amount of \$ _____ * are expected to be used to finance the costs of the joint development by the Redevelopment Agency and the Hayward Unified School District (the "School District") of a new kindergarten through 6th grade elementary school (the "New Burbank School") to replace an existing elementary school; the costs of development by the Redevelopment Agency and the Hayward Area Recreation District ("HARD") of an approximately 14 acre joint-use park facility and play fields to be located adjacent to the New Burbank School; and associated street, water and sewer improvements.

The Redevelopment Agency, the City, the School District and HARD anticipate entering into a Public Facilities Development and Property Exchange Agreement in June 2006 (the "Development and Exchange Agreement") to which the terms and conditions for: (i) the construction of the New Burbank School by the City and the payment of such costs by the Redevelopment Agency; (ii) the construction and installation by HARD of certain improvements (the "Park Improvements") to the existing Cannery Park that is owned and operated by HARD and is currently used, and will continue to be used following the construction and installation of the Park Improvements, by the School District and HARD; (iii) the assignment by the School District of certain development fees and the assignment by the City of certain park-in-lieu fees to the Redevelopment Agency as partial compensation to the Redevelopment Agency for the costs of designing and constructing the New Burbank School and constructing and installing the Park Improvements; (iv) the exchange by the School District of the existing school site to the Redevelopment Agency for the New Burbank School site upon completion of construction and the Redevelopment Agency will redevelop the existing school site in accordance with the Design Plan; and (v) the reduction of AB 1290 pass-through payments made by the Redevelopment Agency to the School District in the amount equal to the costs paid by the Redevelopment Agency for the design and construction of the New Burbank School, less certain described deductions.

The Development and Exchange Agreement requires the parties to use their best efforts to cause construction of the New Burbank School to commence by March 1, 2007 and be completed by August 15, 2008; and to cause the construction of the improvements to Cannery Park to commence by March 1, 2007 and be completed by November 7, 2007. The first phase of the Cannery Park housing development is expected to commence within the same time period.

* Preliminary, subject to change.

Other projects planned for this Expansion Area include the development of streets and parking improvements, a railroad pedestrian bridge and additional open space.

For a listing of the principal taxpayers and primary land uses within the Burbank/Cannery Subarea, see APPENDIX A—"REPORT OF FISCAL CONSULTANT—Downtown Hayward Redevelopment Project—Burbank/Cannery Subarea—Top Ten Taxable Property Owners—Fiscal Year 2005-06—Table 4."

The Mission/Foothill Subarea. This area consists of three non-contiguous areas of approximately 738 acres. This plan, adopted in 2001 proposed revitalization strategies for selected older neighborhoods, development of transit-oriented housing in the vicinity of the South Hayward BART Station, establishment of a streetscape program, and the revitalization of the Mission Boulevard Commercial Corridor.

South Hayward BART Station/Mission Boulevard Plan. The Redevelopment Agency is currently preparing a conceptual land use plan for the Mission Boulevard Corridor between Harder Road and Industrial Boulevard and including the South Hayward BART Station. This plan will provide guidance for future revitalization efforts along Mission Boulevard and identify opportunities for transit-oriented development around the BART Station. The plan is projected to be completed in June 2006.

The Redevelopment Agency assisted Sonic Automotive in gaining site control and relocating pre-existing tenants to develop an approximately 8,000 square foot Honda dealership along the historic auto row on the corner of Mission Boulevard and Orchard Avenue. This project was completed in February 2005.

For a listing of the principal taxpayers and primary land uses within the Mission/Foothill Subarea, see APPENDIX A—"REPORT OF FISCAL CONSULTANT—Downtown Hayward Redevelopment Project—Mission/Foothill Subarea—Top Ten Taxable Property Owners—Fiscal Year 2005-06—Table 4."

Private Development

In addition to the projects directly sponsored by the Redevelopment Agency and described above, there have been a number of private projects developed within the Project Area including:

Alameda County Office Building. This six-story, 186,000 square foot, privately owned building was completed in 2001 and is subject to a long-term lease to Alameda County.

Amador Village Condominiums. This 155-unit residential rental condominium development in the Burbank/Cannery Subarea was completed in 2000. It is located on Amador Village off of D Street and is within walking distance of the Hayward BART Station. This development features a business center, pre-wired internet access within each unit, a pool and a spa.

Grand Terrace Townhomes. This two-phase, "row house" townhome community within walking distance of the Hayward BART station, City Hall, the Albertson's/Sav-on supermarket and the historic downtown shopping district is located in the Burbank/Cannery Subarea and was developed by the Pulte Company. The first phase, consisting of 161 units was completed and sold in June 2004. Construction of the second phase, consisting of 74 units, was completed and sold in summer 2005.

Pinnacle City Centre. This 192-unit apartment development, located in the Burbank/Cannery Subarea at the corner of C and Grand Streets, was completed in 1999. It is located approximately two blocks from the Hayward BART station and within walking distance of downtown. This development features a business center, pre-wired internet access within each unit, exercise facilities and a pool.

Studio Walk. The development of 70 loft-style condominium units by Ryland Homes in the 1987 Annex consists of nine three-story buildings located on Atherton and D Streets. Construction of this development was completed and sold in summer 2005.

Hayward Volkswagen. The construction of an approximately 22,000 square foot Volkswagen dealership was completed in 2004 by a private developer in the Mission/Foothill Subarea.

Cannery Area Development. Two housing developments in the portion of the Burbank/Cannery Subarea located to the south of the expanded Cannery Park and the New Burbank School received planning entitlements in December 2005. One development consists of 279 multi-family dwellings and the other consists of 16 single-family homes, 333 multi-family units, and a 3,000 square foot retail structure. Grading has commenced on a third housing development in a portion of the Burbank/Cannery Subarea located east of Cannery Park. The development is expected to consist of approximately 107 duets and single-family townhomes.

Principal Taxpayers

The top ten taxpayers within the Project Area for Fiscal Year 2005-06 own property with an aggregate value of \$239,143,528, representing 18.00% of the total secured value and 0.00% of the unsecured value. These properties represent 17.29% of the total value within the Project Area.

The value of the property for Fiscal Year 2005-06 owned by the top 10 tax-payers represents 31.47% of the total incremental value of the Project Area. This relatively high concentration of incremental value is primarily the result of the relative newness of the Burbank/Cannery and Mission/Foothill Subareas, of five and four years, respectively. While these two Expansion Areas constitute 71.8% of the total assessed value within the Project Area for Fiscal Year 2005-06, they constitute only 55.9% of the incremental value, an increase from the 44.7% of incremental value in Fiscal Year 2004-05.

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Table 3 lists the principal taxpayers and primary land use in the Project Area based on the Fiscal Year 2005-06 assessed valuation:

Table 3
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Principal Taxpayers
Fiscal Year 2005-06

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Project Subarea</u>	<u>No. of Parcels</u>	<u>2005-06 Secured Value</u>		<u>2005-06 Unsecured Value</u>		<u>Total 2005-06 Assessed Value</u>	
				<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
NGP Alameda LLC†	Commercial	Burbank/Cannery	4	\$40,000,000	3.01%	\$0	0.00%	\$40,000,000	2.89%
MDS Realty	Commercial	Original	1	30,997,293	2.33	0	0.00	30,997,293	2.24
Sobrato Interest II†	Condominium Rentals	Burbank/Cannery	156	28,266,151	2.13	0	0.00	28,266,151	2.04
Meridian Apartments LLC	Residential	Burbank/Cannery	2	25,302,617	1.90	0	0.00	25,302,617	1.83
City Center Commercial†	Commercial	Original	6	24,756,973	1.86	0	0.00	24,756,973	1.79
Fairfield Barrington LLC†	Commercial	Mission/Foothill	1	23,528,364	1.77	0	0.00	23,528,364	1.70
Albertson's Inc.	Commercial	Original	2	18,369,038	1.38	0	0.00	18,369,038	1.33
Casa Sandoval LLC†	Residential	Original	2	17,855,403	1.34	0	0.00	17,855,403	1.29
Price Company†	Commercial	Burbank/Cannery	1	15,217,689	1.15	0	0.00	15,217,689	1.10
First American Title Company	Industrial	Burbank/Cannery	2	14,850,000	1.12	0	0.00	14,850,000	1.07
TOTAL TOP TEN			177	\$239,143,528	18.00%	\$0	0.00%	\$239,143,528	17.29%
Other Property Owners	Various		3,367		82.00	53,948,141	100.00	1,143,654,347	82.71
TOTAL			3,544	\$1,328,849,734	100.00%	\$53,948,141	100.00%	\$1,382,797,875	100.00%
Incremental Assessed Value				\$745,180,836		\$14,686,624		\$759,867,460	

† Property owner has assessment appeal(s) pending on parcels within the Project Area. See "Assessment Appeals."
Source: *Hdl Coren & Cone*.

Tax Rates

Within the State tax rates vary from area to area, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area (a "Tax Rate Area") in which the parcel is located. The tax rate applied to incremental taxable values consist of two components: (i) the general levy rate which may not exceed \$1.00 per \$100 of taxable values in accordance with Article XIII A of the State Constitution and (ii) the over-ride tax rate that is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII. See "LIMITATION ON TAX REVENUES" and "CERTAIN RISKS TO BONDOWNERS--Reduction in Assessed Value." The over-ride tax rates can decline each year as increasing property values reduce the over-ride rate needed to be levied by the taxing entities to satisfy voter approved debt service obligations and as the voter approved debts is retired over time.

The Project Area contains a total of 31 Tax Rate Areas of which 25 contain taxable value. The taxing entities within a Tax Rate Area each receive a prorated share of the general levy and the revenues resulting from any voter approved over-ride tax rates. The only over-ride rate that is applied to the Project Area is that levied by East Bay Regional Parks for debt approved by voters prior to December 31, 1988, which will not be extinguished within the life of the Bonds. The components that make up the tax rate applicable to the Project Area are set forth below:

<u>Tax Rate for 2005-06</u>	
General Levy	1.0000%
East Bay Regional Park	<u>0.0057</u>
TOTAL	1.0057%

Historical, Current and Projected Tax Revenues

The Redevelopment Agency's primary source of funds to make payments of principal of, premium, if any, and interest on the Series 2006 Bonds is the Redevelopment Agency's share of *ad valorem* property tax revenues which generally result from the completion of new real estate developments and a general reassessment of properties within the Project Area.

The purpose of redevelopment is to revitalize deteriorated or underdeveloped areas within a community. As new construction progresses, property values normally increase and the ultimate result is a proportionate increase in *ad valorem* property tax revenues.

The total taxable value of all properties within a given project area on the property assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan for such project area and related amendment areas, if any, establishes a base from which increases in taxable value are computed. The base so established for the Original Area is the 1975-76 assessment roll; for the 1987 Annex, the 1987-88 assessment roll; for the Burbank/Cannery Subarea, the 1998-99 assessment roll; and for the Mission/Foothill Subarea, the 2000-01 assessment roll. When assessment rolls were converted in the State to reflect full value assessments, the base for the Project Area was also converted and is now actually maintained in the 1982-83 assessment roll of the County. Under the Law, property taxes levied based upon the amount shown on the base year assessment rolls will continue to be paid to and retained by all taxing agencies levying property taxes in the Project Area. Taxes levied by the respective taxing agencies on any increases in taxable value realized in the Project Area will be allocated to the Redevelopment Agency.

It should be understood that this procedure does not involve the levy of any additional taxes, but provides that revenues produced by the tax rates in effect from year to year shall be apportioned to the taxing agencies levying the taxes and to the Redevelopment Agency on the basis described above. After all loans, advances and other indebtedness, including interest, incurred by the Redevelopment Agency in connection with the Project Area have been paid, the tax revenues will be paid to and retained by the respective taxing agencies in the normal manner. See also "CERTAIN RISKS TO BONDHOLDERS—Reduction in Taxable Values."

Table 4 presents the aggregate taxable value of all property within the Project Area for Fiscal Years ended June 30, 2002 through June 30, 2006.

Table 4
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Historical and Current Values

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Secured: ⁽¹⁾					
Land	\$313,040,246	\$788,648,659 ⁽²⁾	\$369,403,964 ⁽²⁾	\$402,002,570	\$464,836,235
Improvements	172,501,906	194,966,852 ⁽²⁾	713,740,318 ⁽²⁾	789,444,198	895,790,387
Personal Property	11,234,131	14,149,805	27,566,860	16,963,655	9,050,863
Exemptions	<u>(3,055,882)</u>	<u>(3,114,891)</u>	<u>(30,060,891)</u>	<u>(37,102,726)</u>	<u>(40,827,751)</u>
Subtotal Secured	\$493,720,401	\$994,650,425	\$1,080,650,251	\$1,171,307,697	\$1,328,849,734
Unsecured:					
Land	\$9,220,784	\$9,721,773	\$10,707,884	\$10,755,722	\$5,658,409
Improvements	5,863,879	6,602,941	17,535,810	16,912,413	16,654,003
Personal Property	16,005,581	36,681,657	32,528,843	31,676,020	32,096,792
Exemptions	<u>(261,198)</u>	<u>(295,767)</u>	<u>(488,533)</u>	<u>(576,591)</u>	<u>(461,063)</u>
Subtotal Unsecured	\$30,829,046	\$52,710,604	\$60,284,004	\$58,767,564	\$53,948,141
TOTAL	\$524,549,447	\$1,047,361,029	\$1,140,934,255	\$1,230,075,261	\$1,382,797,875
Base Year Value					
Secured	\$196,205,275	\$583,668,898	\$583,668,898	\$583,668,898	\$583,668,898
Unsecured	<u>20,732,856</u>	<u>39,261,517</u>	<u>39,261,517</u>	<u>39,261,517</u>	<u>39,261,517</u>
TOTAL BASE YEAR VALUE	216,938,131 ⁽³⁾	\$622,930,415 ⁽⁴⁾	\$622,930,415	\$622,930,415	\$622,930,415
Incremental Value	\$307,611,316	\$424,430,614	\$518,003,840	\$607,144,846	\$759,867,460

(1) Secured values include state assessed non-unitary utility project.

(2) Values for the Foothill-Mission Subarea were reported only as secured and unsecured values for Fiscal Year 2002-03. For purposes of this Table 3, all Foothill-Mission Subarea secured value was reported as land value and all unsecured value was reported as unsecured value. The Fiscal Year 2003-04 values for Foothill-Mission Subarea were subsequently broken out by land, improvement, personal property and exemptions. As a result, comparison of Fiscal Year 2002-03 and Fiscal Year 2003-04 land, improvement, personal property and exemption component values is not possible.

(3) Revised to add the current and base year values of the Burbank/Cannery Subarea.

(4) Revised to add the current and base year values of the Foothill-Mission Subarea.

Source: Alameda County.

Table 5 summarizes historical and projected Tax Revenues received by the Downtown Hayward Redevelopment Project Area based on fiscal years ending June 30, 2002, through June 30, 2006. To date, the County has paid to the Redevelopment Agency the full amount of Tax Revenues expected to be received by the Redevelopment Agency, without regard to delinquencies in tax collection. Table 6 presents projected Tax Revenues for Fiscal Years 2006-07 through 2014-15.

Table 5
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Tax Revenues Received

Taxable Values	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06†</u>
Real Property	\$497,570,933	\$996,825,334	\$1,081,327,085	\$1,182,012,177	\$1,342,111,283
Personal Property	<u>26,978,514</u>	<u>50,535,695</u>	<u>59,607,170</u>	<u>48,063,084</u>	<u>40,686,592</u>
Total Value	524,549,447	1,047,361,029	1,140,934,255	1,230,075,261	1,382,797,875
 Base Year Value	 (216,938,131)	 (622,930,415)	 (622,930,415)	 (622,930,415)	 (622,930,415)
 Taxable Value over Base	 307,611,316	 424,430,614	 518,003,840	 607,144,846	 759,867,460
 Gross Tax Increment Revenue	 3,305,578	 4,659,674	 5,765,624	 6,638,791	 7,641,987
Unitary Tax Revenue	<u>453,949</u>	<u>504,765</u>	<u>370,679</u>	<u>388,904</u>	<u>390,470</u>
Gross Revenues	3,759,526	5,164,439	6,136,303	7,027,694	8,032,457
 <u>Base Year Adjustments</u>					
Alameda County General Fund	(2,706)	(2,917)	(3,132)	(3,336)	(3,560)
Alameda County Flood Control District	(19)	(20)	(22)	(24)	(25)
Bay Area Rapid Transit	(93)	(101)	(108)	(116)	(123)
Hayward Area Recreation and Parks	(1,425)	(1,542)	(957)	(1,020)	(1,088)
Alameda County Mosquito Abatement	(20)	(21)	(15)	(16)	(17)
Hayward Unified School District	0	(3,100)	(3,565)	(3,798)	(4,052)
Chabot-Las Positas Community College District	<u>0</u>	<u>(367)</u>	<u>(445)</u>	<u>(474)</u>	<u>(506)</u>
Adjusted Gross Revenues	3,755,263	5,156,371	6,128,059	7,018,910	8,023,085
 <u>Less:</u>					
SB 2557 Admin. Fee	(37,997)	(59,551)	(61,476)	(81,183)	(93,176)
Housing Set Aside Requirement	(751,053)	(1,031,274)	(1,225,612)	(1,403,782)	(1,604,617)
 <u>Statutory Tax Sharing Payments</u>					
Tier 1 Passthrough to All Taxing Entities	(139,867)	(286,546)	(337,628)	(575,487)	(731,116)
Tier 2 Passthrough to All Taxing Entities	0	0	0	0	0
Tier 3 Passthrough to All Taxing Entities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues	\$2,826,347	\$3,779,000	\$4,503,344	\$4,958,458	\$5,594,176

† Assessed values are based on actual data, all remaining information is projected.
Source: Alameda County, Auditor-Controller and HdL Coren & Cone.

Table 6
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Projection of Incremental Taxable Value and Tax Increment Revenue
(\$ in 000's)

Taxable Values⁽¹⁾	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Real Property ⁽²⁾	\$1,429,030	\$1,498,553	\$1,528,524	\$1,559,095	\$1,590,277	\$1,622,082	\$1,654,524	\$1,687,615	\$1,721,367
Personal Property ⁽³⁾	40,687	40,687	40,687	40,687	40,687	40,687	40,687	40,687	40,687
Total Projected Value	\$1,469,717	\$1,539,240	\$1,569,211	\$1,599,782	\$1,630,963	\$1,662,769	\$1,695,211	\$1,728,301	\$1,762,053
Taxable Value over Base	\$846,786	\$916,310	\$946,281	\$976,851	\$1,008,033	\$1,039,839	\$1,072,280	\$1,105,371	\$1,139,123
Gross Tax Increment Revenue ⁽⁴⁾	\$8,516	\$9,215	\$9,517	\$9,824	\$10,138	\$10,458	\$10,784	\$11,117	\$11,456
Unitary Tax Revenue	390	390	390	390	390	390	390	390	390
Gross Revenues	\$8,907	\$9,606	\$9,907	\$10,215	\$10,528	\$10,848	\$11,174	\$11,507	\$11,847
Base Year Adjustments									
Alameda County General Fund ⁽⁵⁾	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(6)	(6)
Alameda County Flood Control District ⁽⁵⁾	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Bay Area Rapid Transit ⁽⁵⁾	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Hayward Area Recreation and Parks ⁽⁵⁾	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)
Alameda County Mosquito Abatement ⁽⁵⁾	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Hayward Unified School District ⁽⁶⁾	(4)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(7)
Chabot-Las Positas Community College District ⁽⁶⁾	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Adjusted Gross Revenues	\$8,897	\$9,595	\$9,896	\$10,203	\$10,516	\$10,835	\$11,161	\$11,493	\$11,831
LESS:									
SB 2557 Admin. Fee ⁽⁷⁾	(103)	(111)	(115)	(118)	(122)	(126)	(130)	(133)	(137)
Housing Set Aside Requirement ⁽⁸⁾	(1,779)	(1,919)	(1,979)	(2,041)	(2,103)	(2,167)	(2,232)	(2,299)	(2,366)
Statutory Pass-throughs									
Tier 1 Passthrough to All Taxing Entities ⁽⁹⁾	(944)	(1,070)	(1,125)	(1,180)	(1,237)	(1,295)	(1,354)	(1,414)	(1,476)
Tier 2 Passthrough to All Taxing Entities ⁽⁹⁾	0	0	0	0	0	(14)	(49)	(85)	(134)
Tier 3 Passthrough to All Taxing Entities ⁽⁹⁾	0	0	0	0	0	0	0	0	0
Tax Revenues	\$6,070	\$6,495	\$6,677	\$6,863	\$7,053	\$7,233	\$7,396	\$7,562	\$7,718

(1) Taxable values as reported by Alameda County for Fiscal Year 2006-07, all remaining information is projected.

(2) Real property consists of land and improvements. Increased for new development and for inflation at 2% annually. Values for Fiscal Year 2006-07 are reduced by \$16,437,451 for projected reductions due to projected approval of 166 pending assessment appeals. See "Assessment Appeals."

(3) Personal property is held constant at the Fiscal Year 2004-05 level.

(4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project Area tax rate and adjusted for indebtedness approved by voters prior to 1988. The future tax rate is assumed to remain at \$1.0057 per \$100 of taxable assessed value.

(Table 6 footnotes continued on next page)

(5) The Alameda County General Fund (17.50%), the Alameda County Flood Control District (0.124%), the Bay Area Rapid Transit District (0.606%), the Hayward Area Recreation and Parks District (5.351%) and the Alameda County Mosquito Abatement District (0.085%) adopted resolutions pursuant to Section 33676 of the Law opting to receive their shares of inflationary growth

base year real property value. Under Section 33676 of the Law these payments are considered adjusted base year revenue amounts and are not considered tax increment for purposes of calculating the Housing Set-Aside. These Base Year Adjustments apply only to the 1987 Annex of the Project Area.

- (6) The Hayward Unified School District, the Chabot-Las Positas Community College District and the Alameda County Superintendent of Schools did not adopt resolutions under Section 33676 of the Law at the time the Project Area was adopted, however, under a judicial ruling from Orange County, it has been determined that school districts and college districts that do not have tax sharing agreements may at any time adopt the appropriate resolutions and elect to receive their shares of revenue from inflationary growth on base year real property value in the same manner as described in footnote 5 above. For purposes of this projection the Fiscal Consultant assumed that all eligible school districts would make such an election. These Base Year Adjustments apply only to the 1987 Annex.
- (7) County Administration charges are estimated at 1.16% of Gross Revenue.
- (8) The Housing-Set-Aside calculated at 20% of Adjusted Gross Revenue.
- (9) The last day to incur new debt in the Original Area was established as January 1, 2004 pursuant to the Law. This limit was changed to January 1, 2014 pursuant to Ordinance No. 98-19. The extension of the limit triggered the initiation of statutory tax sharing payments. On January 1, 2004 the Original Project Area time limit to incur new debt was exceeded. Beginning in Fiscal Year 2004-05 and using the Fiscal Year 2003-04 Project Area value as the base level of value, Taxing Entities began receiving their shares of 25% of total tax increment revenue net of the Housing-Set-Aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of Housing-Set-Aside. The City is considered a Taxing Entity and may opt to receive its share of this Tier 1 pass-through amount. The last day to incur new debt in the 1987 Annex was established as April 21, 2007 pursuant to Ordinance No. 94-30. This limit was extended to April 21, 2017 pursuant to Ordinance No. 98-19, which triggered the initiation of the statutory tax sharing payments. On April 21, 2007 the 1987 Annex time limit to incur new debt will be exceeded. Beginning in Fiscal Year 2007-08 and using the Fiscal Year 2006-07 Project Area value as the base level of value, Taxing Entities will begin to receive their shares of 25% of total tax increment revenue net of the Housing-Set-Aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 year value net of Housing-Set-Aside. After year 30, Taxing Entities receive 14% of tax revenue on incremental value above the year 10 value net of the Housing Set-Aside. The City is considered a taxing entity and may opt to receive its share of this Tier 1 pass-through amount. Within the Burbank/Cannery Subarea and the Mission/Foothill Subarea the same formula is followed, however, tax sharing payments are initiated in the first year these Expansion Areas receive tax revenue. In addition to Tier 1 and Tier 2 tax sharing payments, Tier 3 tax sharing payments are initiated after year 30. Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of the Housing-Set-Aside. As with the other Expansion Areas, the City is considered a Taxing Entity and may elect to receive its share of this Tier 1 pass-through amount. The City elected to receive its share of Tier 1 statutory tax sharing amounts from the Burbank/Cannery Subarea beginning Fiscal Year 2004-05. The City has elected to receive its share of Tier 1 statutory tax sharing payments from Burbank/Cannery Subarea beginning in Fiscal Year 2004-05. The City will begin to receive its share of Tier 1 statutory tax sharing payments from the Mission/Foothill Subarea beginning in Fiscal Year 2006-07. The Redevelopment Agency will retain 56.7% of the Hayward Unified School District shares of all statutory tax sharing payments pursuant to Section 336075(a)(4) of the Law as compensation for the construction of the new Burbank School. The tax sharing amount for the Hayward Unified School District has been so adjusted. See "Summary of Development-Burbank/Cannery Subarea. The tax sharing amounts shown above have been adjusted to reflect this reduction.

Source: *Alameda County, Auditor-Controller with respect to Fiscal Year 2004-05 and Hdl Coren & Cone with respect to Fiscal Years 2005-06 through 2014-15.*

Debt Service Coverage Projections

The following Table 7 shows scheduled debt service on the Series 2004 Bonds and Series 2006 Bonds, without regard to any optional redemption and estimated coverage. See "DEBT SERVICE SCHEDULE" for the scheduled semiannual debt service on the Series 2006 Bonds.

Table 7
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Debt Service Coverage Projections
(\$ in 000's)

Fiscal Year Ending June 30	Projected Net Tax Revenues ⁽¹⁾	Bond Year Debt Service			Estimated Debt Service Coverage ⁽²⁾
		Series 2004 Bonds	Series 2006 Bonds	Total	
2006	\$5,594	\$2,795			
2007	6,070	2,792			
2008	6,495	3,373			
2009	6,677	3,373			
2010	6,863	3,374			
2011	7,053	3,373			
2012	7,233	3,370			
2013	7,396	3,369			
2014	7,562	3,370			
2015	7,718	3,369			
2016	7,877	3,372			
2017	8,039	3,371			
2018	8,203	3,370			
2019	8,370	3,368			
2020	8,896	3,366			
2021	9,102	3,367			
2022	9,312	3,367			
2023	9,525	3,366			
2024	9,743	3,367			
2025	10,050	3,366			
2026	10,283	3,367			
2027	10,520	2,335			
2028	10,762	983			
2029	8,656	982			
2030	6,172	984			
2031	6,328	984			
2032	6,473	986			
2033	6,600	981			
2034	6,730	985			
2035	6,862	—			
2036	6,997	—			
2037	7,135	—			
2038	7,275	—			
2039	7,418	—			

Fiscal Year Ending June 30	Projected Net Tax Revenues ⁽¹⁾	Bond Year Debt Service			Estimated Debt Service Coverage ⁽²⁾
		Series 2004 Bonds	Series 2006 Bonds	Total	
2040	7,564	—	—	—	
2041	7,713	—	—	—	
2042	7,865	—	—	—	
2043	8,020	—	—	—	
2044	8,178	—	—	—	
2045	4,700	—	—	—	
2046	4,798	—	—	—	
2047	4,900	—	—	—	
2048	0	—	—	—	
TOTAL	\$319,730	\$78,825			

⁽¹⁾ Projected Net Tax Revenues is net of the Housing Set-Aside, Pass-Through Payments and County administrative fees, which administrative fees are projected to equal 1.16% of annual Gross Tax Revenues. This table assumes that property values in the Project Area will increase based upon new development within the Project Area (see "THE PROJECT AREA-Status of Development" and "Recent Development," and for inflation at the rate of 1.867% for Fiscal Year 2004-05 and by 2% for each Fiscal Year thereafter.

⁽²⁾ Calculated as Projected Net Tax Revenues divided by Bond Year Debt Service.

Source: *HdL Coren & Cone and RBC Capital Markets.*

Assessment Appeals

Property tax values determined by the County Assessor may be subject to an appeal by the property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner. The reduction in future Project Area taxable values and the refund of taxes affects all taxing entities, including the Redevelopment Agency.

Each assessment appeal could result in a reduction of the taxable value of the real property, personal property or possessory interest of the property which is the subject of the appeal. A reduction in such taxable value would result in a reduction of the revenues of the Redevelopment Agency available for Tax Revenues with respect to the Series 2006 Bonds. Alternatively, an appeal may be withdrawn by the applicant or the Appeals Board may deny or modify the appeal at a hearing or by stipulation.

Between Fiscal Year 1999-00 through April 6, 2006 there have been 790 assessment appeals filed within the Project Area. Of the appeals filed, 490 resulted in a reduction in value, 104 were denied and 196 are pending. The pending appeals have a combined assessed value of \$183,366,175 under appeal and include assessment appeals of value for Fiscal Years 2004-05 and 2005-06. Within the Project Area, it is unclear exactly how much of this value is at risk because some of the owners have not stated owner opinions of value. Of the appeals that have been granted, the average reduction in value within the Original Area was 11.2%, within the Burbank/Cannery Subarea was 19.75% and within the Mission/Foothill Subarea was 7.18%. There are no pending appeals in the 1987 Annex.

Of the 10 principal taxpayers in the Project Area shown in Table 3, four (NGP Alameda LLC ("NGP"), Sobrato Interest II ("Sobrato") and Fairfield Barrington LLC ("Fairfield") and Price Company ("Price") had appeals outstanding and unresolved with the County Assessor as of January 11, 2006. NGP owns four properties in the Burbank/Cannery Subarea and is seeking adjustments to the base value of these properties and to the Fiscal Year 2005-06 values on the basis that the market value of the properties have

fallen below the inflation adjusted base value of the properties, in the aggregate amount of \$10,356,518 (25.9%).

Sobrato owns property within the Burbank/Cannery Subarea and has assessment appeals pending on all 156 of its parcels for Fiscal Years 2003-04, 2004-05 and 2005-06 seeking an undisclosed reduction of the assessed values for these rented condominium parcels under Proposition 8. For each of these Fiscal Years, the Appeals Board reduced the assessed values by 22 to 25%. It is likely that Sobrato will be successful with appeals of the Fiscal Year 2005-06 assessed value.

Fairfield owns one property within the Mission/Foothill Subarea and successfully filed assessment appeals for Fiscal Years 2002-03 and 2003-04 achieving reductions of \$1,404,020 (6.4%) and \$525,700 (2.3%) respectively. Fairfield was granted a \$4,946,163 (21.5%) reduction in the Fiscal Year 2004-05 assessed value of this property.

Price, through its operating entity Costco Companies Inc., has assessment appeals pending for Fiscal Year 2005-06 and is seeking reductions in value under Proposition 8. Similar appeals of filed by Price of its Fiscal Year 2003-04 and 2004-05 assessed value were denied.

Based on historical averages, the Fiscal Consultant estimates that 163 of the 196 pending appeals will be granted resulting in a reduction in assessed value of \$18,441,317 (an approximately 1.24% loss in assessed value). The Fiscal Consultant further estimates that such reduction in assessed value will reduce projected incremental value in Fiscal Year 2006-07 by approximately 2.13%.

Table 8 lists the principal secured taxpayers (see Table 6 above) who have filed such appeals, the assessed value, the reduction requested and the status of the appeal.

Table 8
Redevelopment Agency of the City Of Hayward
Downtown Hayward Redevelopment Project Area
Outstanding Appeals by the Principal Locally Secured Taxpayers
As of April 6, 2006

<u>Property Owner</u>	<u>Expansion Area</u>	<u>Number of Parcels</u>		<u>Fiscal Year 2005-06 Assessed Valuation</u>	<u>Fiscal Year Appeal Valuation Request</u>	<u>Total Reduction Requested</u>	<u>Appeal Status</u>
		<u>Owned</u>	<u>Appealed</u>				
Sobrato Interest II†	Burbank/Cannery	156†	156	\$28,266,151	2005-06	Undisclosed	Pending
Fairfield Barrington LLC	Mission/Foothill	1	1	23,528,000	2005-06	\$9,411,345	Pending
NPG Alameda LLC	Burbank/Cannery	4	4	40,000,000	2005-06	10,356,518	Pending
Price Company	Burbank/Cannery	1	1	15,217,689	2005-06	Undisclosed	Pending
TOTAL		162	162	\$107,011,840			

† Owner of a residential apartment complex.
Source: *Alameda County Assessor*.

Tax Levies, Collections and Delinquencies

The County does not track secured tax charges and delinquencies by Project Area.

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et. seq.* of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the county would receive and retain delinquent payments, penalties and interest, as collected, that would have been due to the local agency. However, although a local agency could receive the total levy for its property taxes without regard to actual collections, funded from a reserve established and held by the county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency.

The Teeter Plan remains in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the County, in which event, the County Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county.

The City is not currently a participant in the Teeter Plan. However, tax increment revenue disbursements from the County to the Redevelopment Agency occur in a manner similar to the Teeter Plan. See "LIMITATIONS ON TAX REVENUES-Property Tax Collection Procedures."

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

RESOLUTION APPROVING THE ISSUANCE OF TAX
ALLOCATION BONDS BY THE REDEVELOPMENT
AGENCY OF THE CITY OF HAYWARD TO FINANCE
REDEVELOPMENT ACTIVITIES

WHEREAS, the Redevelopment Agency of the City of Hayward (the "Agency") is authorized by Part 1 of Division 34 of the Health and Safety Code of the State of California, as amended (the "Redevelopment Law"), and particularly Chapter 6 thereof, to issue and sell tax allocation bonds for any of its corporate purposes; and

WHEREAS, the Agency issued its \$44,790,000 Downtown Hayward Redevelopment Project Tax Allocation Bonds, Series 2004 (the "2004 Bonds") on June 2, 2004 pursuant to an Indenture of Trust, dated as of May 1, 2004, between Wells Fargo Bank, National Association (the "Trustee") and the Agency (the "Master Indenture"); and

WHEREAS, in order to finance various redevelopment projects (the "Project") in the Downtown Hayward Redevelopment Project Area, the Agency wishes at this time to issue its not-to-exceed \$11,800,000 aggregate principal amount of Redevelopment Agency of the City of Hayward Downtown Hayward Redevelopment project Tax Allocation Bonds, Series 2006 (the "Series 2006 Bonds"), pursuant to that certain First Supplement to Indenture of Trust, dated as of May 1, 2006, between the Trustee and the Agency (the "First Supplement"); and

WHEREAS, the Redevelopment Law requires that the City Council approve the issuance of the Series 2006 Bonds by reason of the pledge of said tax increment revenues as security for the payment of the Series 2006 Bonds; and

WHEREAS, it is in the public interest, for the public benefit and in furtherance of the public purpose of the City that the City approve the issuance of the Series 2006 Bonds by the Agency for the aforesaid purposes.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward as follows:

Section 1. The City Council of the City of Hayward hereby approves the issuance of the Series 2006 Bonds by the Agency under the Redevelopment Law for the purpose of: financing the Project; funding a contribution for the Series 2006 bonds to the Reserve Account created under the Master Indenture; and funding the costs of issuing the Series 2006 Bonds.

Section 2. This resolution shall take effect immediately upon its adoption.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2006

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA- _____

Introduced by Agency Member _____

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD AUTHORIZING THE ISSUANCE, SALE AND DELIVER OF TAX ALLOCATION BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS, AND APPROVING ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Redevelopment Agency of the City of Hayward (the "Agency") has adopted the redevelopment plan (the "Redevelopment Plan") for the Downtown Hayward Redevelopment Project (the "Redevelopment Project") under Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"); and

WHEREAS, the Redevelopment Law, and particularly Chapter 6 thereof, authorized redevelopment agencies to incur indebtedness for any of their corporate purposes; and

WHEREAS, the Agency issued its \$44,790,000 Downtown Hayward Redevelopment Project Tax Allocation Bonds, Series 2004 (the "2004 Bonds") on June 2, 2004 pursuant to an Indenture of Trust, dated as of May 1, 2004, between Wells Fargo Bank, National Association (the "Trustee") and the Agency (the "Master Indenture"); and

WHEREAS, In order to finance various redevelopment projects (the "Project") in the Downtown Hayward Redevelopment Project Area, the Agency wishes at this time to issue its not-to-exceed \$11,800,000 aggregate principal amount of Redevelopment Agency of the City of Hayward Downtown Hayward Redevelopment Project Tax Allocation Bonds, Series 2006 (the "Series 2006 Bonds"), pursuant to that certain First Supplement to Indenture of Trust, dated as of May 1, 2006, between the Trustee and the Agency (the "First Supplement"); and

WHEREAS, Lofton & Jennings, as disclosure counsel to the Agency, has caused to be prepared a form on the Official Statement for the Series 2006 Bonds (the "Official Statement"), the form of which on file the with Secretary; and

WHEREAS, the Agency, with the aid of its staff, has reviewed the Official Statement, and the Agency wishes at this time to approve the Official Statement, the First Supplement, and other necessary documents; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2006 Bonds as

contemplated by this resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Redevelopment Law.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Hayward as follows:

Section 1. Recitals True and Correct. The Agency hereby finds and declares that the above recitals are true and correct.

Section 2. Approval of Issuance of Series 2006 Bonds. Pursuant to the Redevelopment Law and the First Supplement, bonds of the Agency, designated as "Redevelopment Agency of the City of Hayward Downtown Hayward Redevelopment Project Tax Allocation Bonds, Series 2006" in an aggregate principal amount not to exceed \$[principal amount] are hereby authorized to be issued. The Series 2006 Bonds, in the form set forth in and otherwise in accordance with the First Supplement, shall be executed by the manual or facsimile signature of the Chairperson, and attested by the manual or facsimile signature of the Secretary, and authenticated by the Trustee.

Section 3. Approval of First Supplement. The First Supplement, pursuant to which the Series 2006 Bonds are to be issued, between the Agency and the Trustee, in the form presented to this meeting, is hereby approved. The Chairperson, the Executive Director and the Treasurer (the "Designated Officers") are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver the First Supplement, and the Secretary is hereby authorized and directed, for and in the name and on behalf of the Agency, to attest the Designated Officers' signature to the first Supplement, in said form, together with such additions thereto or changes therein as are recommended or approved by the Designated Officer, upon consultation with bond counsel to the Agency, including such additions or changes as are necessary or advisable in accordance with Section 8 hereof; provided that no additions or changes shall authorize an aggregate principal amount of Series 2006 Bonds in excess of \$11,800,000, or result in a true interest cost on the Series 2006 Bonds in excess of 6% per annum. The approval of such additions or changes shall be conclusively evidenced by the execution and delivery by the Agency of the First Supplement. The date, maturity dates, aggregate principal amount, annual maturity amounts, interest rates, place of payment, terms of redemption and other terms of the Series 2006 Bonds shall be as provided in the First Supplement as finally executed. The Designated Officers are also specifically authorized to approve amendments to the First Supplement regarding the terms contained therein which may be required by the rating agency or rating agencies being requested to assign a rating to the Series 2006 Bonds, as well as any municipal bond insurance company being asked to insure the Series 2006 Bonds.

Section 4. Sale of the Bonds. The Agency hereby approves the sale of the Bonds by negotiation with RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the "Under writer"). The Bond Purchase Agreement, by and among the Hayward Public Financing Authority ("Authority"), the Underwriter and the Agency (the "Bond Purchase

Agreement”), pursuant to which the Agency agrees to sell the Bonds to the Authority, for re-sale to the Underwriter, and the Underwriter agrees to purchase the Bonds from the Authority, be and the same are hereby approved, and the Designated Officers are hereby authorized and directed to execute the Bond Purchase Agreement, with such changes, insertions and omissions as may be approved by such official, so long as: the aggregate principal amount of the Series 2006 Bonds does not exceed \$11,800,000, so long as the true interest cost on the Series 2006 Bonds does not exceed 6% per annum, and so long as the Underwriter’s discount (exclusive of original issue discount) on the Series 2006 Bonds does not exceed 1%.

Section 5. Approval of Official Statement. The Official Statement, in the form presented to this meeting, is hereby approved. The Designated Officers are, and each of them acting alone is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute the Official Statement in said form, together with such additions thereto or changes therein as are recommended or approved by the Executive Director, upon consultation with disclosure counsel and bond counsel to the Agency, the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the Agency of the Official Statement.

The Underwriter is hereby authorized and directed to distribute copies of the Official Statement to persons who express an interest in the purchase of the Series 2006 Bonds, and the Underwriter is directed to deliver such copies to all actual purchasers of the Series 2006 Bonds. The Underwriter is hereby authorized and directed to distribute copies of the preliminary official statement relating to the Series 2006 Bonds. The Designated Officers are, and each of them acting alone is, hereby authorized to execute a certificate to the effect that such preliminary official statement and the Official Statement, as of their respective dates, are deemed final by the Agency for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

Section 6. Continuing Disclosure. The Agency represents that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. “Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate executed by the Agency and dated the date of issuance and delivery of the Series 2006 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof, the form of which is on file with the Executive Director.

Section 7. Appointment of Bond Counsel, Disclosure Counsel and Financial Advisor. Jones Hall, a Professional Law Corporation, is hereby appointed bond counsel in connection with the issuance of the Bonds, and the Treasurer is hereby authorized to execute an agreement for legal services with Jones Hall, relating to the Bonds, in substantially the form presented at this meeting and on file with the Treasurer. Lofton & Jennings is hereby appointed as disclosure counsel to the Agency in connection with the sale of the Bonds, and the Treasurer is hereby authorized to execute an agreement for disclosure counsel services with Lofton & Jennings, in substantially the form on file with Treasurer. CSG Advisors Incorporated is hereby appointed as financial advisor to the Agency in connection with the sale of the Bonds, and the Treasurer is hereby authorized to execute an agreement for financial advisory services with CSG Advisors incorporated, in substantially the form on file with the Treasurer.

Section 8. Official Action. All action heretofore taken by the officers and agents of the Agency with respect to the preparation of the Official Statement and the First Supplement, and the sale and issuance of the Series 2006 Bonds, are hereby approved, confirmed and ratified, and the proper officers of the Agency, including the Designated Officers, are hereby authorized and directed, for and in the name on behalf of the Agency, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Series 2006 Bonds in accordance with this resolution and resolutions heretofore adopted by the Agency, including but not limited to those certificates, agreements and other documents described in the First Supplement and the other documents herein approved and any certificates, agreements or documents as may be necessary to further the purpose hereof or provide additional security for the Series 2006 Bonds, but which shall not create any obligation or liability of the Agency other than with respect to the tax revenues pledged as security for the Series 2006 Bonds in the First Supplement and assets derived from the proceeds of the Series 2006 Bonds.

Section 9. Effective Date. This resolution shall take effect immediately upon its adoption.

HAYWARD, CALIFORNIA _____, 2006

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:
CHAIR:

NOES: AGENCY MEMBERS:

ABSTAIN: AGENCY MEMBERS:

ABSENT: AGENCY MEMBERS:

ATTEST: _____
Secretary

APPROVED AS TO FORM:

General Counsel

DRAFT

HAYWARD PUBLIC FINANCING AUTHORITY

RESOLUTION NO. _____

Introduced by Commissioner _____

**RESOLUTION OF THE HAYWARD PUBLIC FINANCING
AUTHORITY AUTHORIZING THE PURCHASE AND SALE
OF TAX ALLOCATION BONDS RELATING TO THE
DOWNTOWN HAYWARD REDEVELOPMENT PROJECT,
AND APPROVING RELATED DOCUMENTS**

WHEREAS, the City of Hayward and the Redevelopment Agency of the City of Hayward (the "Agency") have heretofore entered into a Joint Exercise of Powers Agreement establishing the Hayward Public Financing Authority (the "Authority") for the purpose, among others, of purchasing bonds issued by the Agency for financing and refinancing public capital improvements, working capital, or projects whenever there are significant public benefits, as determined by the Agency, pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"); and

WHEREAS, pursuant to the Act, the Authority is further authorized to sell bonds so purchased to public or private purchasers at public or negotiated sale; and

WHEREAS, the Agency issued its \$44,790,000 Downtown Hayward Redevelopment Project Tax Allocation Bonds, Series 2004 (the "2004 Bonds") on June 2, 2004 pursuant to an Indenture of Trust, dated as of May 1, 2004, between Wells Fargo Bank, National Association (the "Trustee") and the Agency (the "Master Indenture"); and

WHEREAS, in order to finance various redevelopment projects (the "Project") in the Downtown Hayward Redevelopment Project Area, the Agency wishes at this time to issue its not-to-exceed \$11,800,000 aggregate principal amount of Redevelopment Agency of the City of Hayward Downtown Hayward Redevelopment Project Tax Allocation Bonds, Series 2006 (the "Series 2006 Bonds"), pursuant to that certain First Supplement to Indenture of Trust, dated as of May 1, 2006, between the Trustee and the Agency (the "First Supplement"); and

WHEREAS, the Board of Directors (the "Board") of the Authority has duly considered such transactions and wishes at this time to authorize proceedings for the purchase and sale of the Series 2006 Bonds in the public interests of the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the
Hayward Public Financing Authority:

Section 1. Recitals True and Correct. The foregoing recitals are true and correct
and the Authority so finds and determines.

Section 2. Sale of Series 2006 Bonds . The Authority hereby approves the purchase
and sale of the Series 2006 Bonds by negotiation with the RBC Dain Rauscher, Inc., doing
business under the trade name RBC Capital Markets (the "Underwriter). The bond Purchase
Agreement, by and among the Authority, the Underwriter and the Agency (the "Bond Purchase
Agreement"), pursuant to which the Agency agrees to sell the Series 2006 Bonds to the
Authority, for re-sale to the Underwriter, and the Underwriter agrees to purchase the Series 2006
Bonds from the Authority, is hereby approved. The Treasurer and the Executive Director are
hereby separately authorized and directed to execute the Bond Purchase Agreement, with such
changes, insertions and omissions as may be approved by such official, so long as: the aggregate
principal amount fo the Series 2006 Bonds does not exceed \$11,800,000, so long as the true
interest cost on the Series 2006 Bonds does not exceed 6% per annum, and so long as the
Underwriter's discount (exclusive of original issue discount) on the Series 2006 Bonds does not
exceed 1%.

Section 3. Effective Date. This resolution shall take effect upon its adoption.

HAYWARD, CALIFORNIA _____, 2006

ADOPTED BY THE FOLLOWING VOTE:

AYES: COMMISSIONER'S:

NOES: COMMISSIONER'S:

ABSTAIN: COMMISSIONER'S:

ABSENT: COMMISSIONER'S:

ATTEST: _____
Secretary

APPROVED AS TO FORM:

General Counsel